



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL**

109 TW ALEXANDER DRIVE  
RESEARCH TRIANGLE PARK, NC 27711

**CASE #:** [REDACTED]

**CROSS REFERENCE #:**

**TITLE:** Town of Eastover

**CASE AGENT:** [REDACTED]

**MEMORANDUM OF ACTIVITY**

**NARRATIVE:**

On December 2, 2011, Special Agent [REDACTED] completed a review of U.S. EPA and U.S. Housing and Urban Development (HUD) documents regarding grants the Town of Eastover, SC, received from both agencies. The grants were for the construction of a new 250,000 gallon elevated water storage tower, water meters, and fire hydrants.

In July 2001, Eastover received a Consent Order (01-178-DW) from the SC Department of Health and Environmental Control (DHEC) for their public water system. Eastover essentially complied with the Consent Order; however, the portion of the Order that addressed repair of the water storage tanks was difficult for the Town to comply with due to the age and condition of the existing water tanks. Therefore, the Town applied for and was awarded Community Development Block Grant (CDBG) #4-L-00-023. The CDBG grant was awarded in July 2002 and administered by the Central Midlands Council of Governments (COG) on behalf of the SC Department of Commerce (SC DoC). It was valued at \$500,000, see Attachments 1&2.

The grant was closed in October 2006. A total of \$423,824 was paid to Caldwell Tanks, Inc., Louisville, KY, for the construction of the new water tank (Caldwell Tank submitted 10 Applications for Payment), see Attachment 3. Attachment 4 is the Town's First Citizen Bank Ledger for the Water Tank expenditures. From July 1, 2006 to September 30, 2006, \$491,994 was disbursed for the Water Tank Project (\$5599 was paid to COG & SC DoC and \$717 to Bell South).

Throughout the grant period, it was mentioned several times that the Town was having difficulty in securing the EPA Grant. The SC DoC also questioned how the eventual EPA funding would be used in conjunction with the CDBG grant. It appears that SC DoC understood the EPA grant would be used to "install water lines and meters", see Attachments 5&6. The SC DoC and the COG expressed concerns to the Town that it should not submit invoices from the construction of the water tank to the EPA for reimbursement, see Attachments 7&8.

During a monitoring visit, SC DoC noted several deficiencies with State and Federal regulations by Eastover. One finding was the lack of EPA funding to complete the fire hydrant portion of the project, which was delaying completion of the entire project. In their response dated April 14, 2005, the Town indicated they would complete the project with the remaining CDBG funds installing as many fire hydrants "as funds will allow", see Attachments 9&10.

In response to a request for documents from Eastover, the COG again reminded the Town “CDBG paid invoices related to the water tank construction should not be submitted to EPA”, see Attachments 11&12.

Eastover made three applications for Federal Assistance to EPA in October 2003, September 2004, and November 2005 (see Attachments 13 – 15). Eastover was awarded the EPA Grant Agreement on January 3, 2006, for “a new 250,000 gallon elevated water storage tank and fire hydrant replacement”. EPA agreed to pay 30.28% of all approved costs not to exceed \$216,800 (30.28% of the estimated project cost of \$716,000, which included Administration Expenses of \$15,600 and Construction and Project Improvements of \$700,400). The Grant period was January 7, 2004 – December 31, 2007, see Attachment 16. A No Cost Extension was granted on April 9, 2009, extending the grant period to September 30, 2010, see Attachment 17.

Eastover made two draws against the EPA grant for a total of \$139,047.86, see Attachment 18. On February 8, 2006, Eastover submitted an *Outlay Report and Request for Reimbursement for Construction Programs*, apparently without supporting invoices. The reimbursement request was for 31% of \$349,052.40 (Line item *n. Total cumulative to date (sum of lines a thru m)*) for a total of \$108,206.24. EPA paid the request on March 6, 2006, see Attachment 19.

**Agent’s Note:** Of the \$349,052.40, which was the basis for the Town’s reimbursement request, \$338,252.40 was for construction costs. This is the total claimed by Caldwell Tanks (Line item 9) on Application for Payment #7 dated October 22, 2004, which was paid in full through the CDBG grant by January 5, 2005, according to the First Citizen Bank Ledger.

The second *Outlay Report and Request for Reimbursement for Construction Programs*, dated April 18, 2007, was submitted with supporting invoices. EPA paid this request on May 3, 2007, see Attachment 20. The reimbursement request was for 31% of \$448,541.46 (Line item *n. Total cumulative to date (sum of lines a thru m)*) for a total of \$139,047.85. However, since EPA had already paid \$108,206.24, the request was for the difference of \$30,841.61. The supporting invoices for this request included Caldwell Tanks Applications for Payment #8, #9 & #10, along with an invoice for Consulting Fees for Vernise, LLC (Charles Williams’ company). No invoices for water meters or fire hydrants were included, see Attachment 20.

In March of 2010, Eastover submitted a request for a change in the grant to spend an additional \$116,000 for “Well and Storage Improvements including the purchase of a new Elevated Storage Tank...” They sought to amend the “old scope of work”, and increase the reimbursement rate from 31% to 55%, see Attachment 21. EPA has not granted these requests.

**Agent’s Note:** Exhibit 2 (Cost Estimate) of Eastover’s request to change the EPA grant is actually page 10 of the Preliminary Engineering Report prepared for Eastover by HPG & Company, Consulting Engineers Inc., dated February 2002. The Preliminary Engineering Report is in the CDBG Application (Attachment 1).

## Attachments:

1. CDBG Application, dated April 4, 2002



CDBG Application for  
Water Tower and Fire

2. CDBG Grant Award, dated July 1, 2002



CDBG Grant  
Award.pdf

3. Caldwell Tanks Applications for Payment, ranging in dates from February 2004 to June 2006



CaldwellTank  
Application Paymt 1.p



CaldwellTank  
Application Paymt 2.p



CaldwellTank  
Application Paymt 3.p



CaldwellTank  
Application Paymt 4.p



CaldwellTank  
Application Paymt 5.p



CaldwellTank  
Application Paymt 6.p



CaldwellTank  
Application Paymt 7.p



CaldwellTank  
Application Paymt 8.p



CaldwellTank  
Application Paymt 9.p



CaldwellTank  
Application Paymt 10.



CaldwellTank Final  
Release Ltr 6-1-06.pc

4. First Citizen Bank Checking Ledger, dated July 1, 2006 to September 30, 2006



First Citizens Bank  
Ledger for Eastover \

5. Email from [REDACTED] to [REDACTED], dated October 30, 2003



Email from [REDACTED] to  
[REDACTED] 10-30-03.pdf

6. Memo to SC DoC File from [REDACTED], dated January 9, 2004



SC DoC Memo  
1-9-04.pdf

7. Email from [REDACTED] to [REDACTED], dated October 29, 2004



Email [REDACTED] to [REDACTED]  
10-29-04.pdf

8. COG letter to Eastover, dated November 4, 2004



COG Ltr 11-4-04.pdf

9. SC DoC Letter to Eastover, dated April 12, 2005



SC Doc Ltr to  
Eastover 4-12-05.pdf

10. Eastover response to SC DoC, dated April 14, 2005

RESTRICTED INFORMATION

This report is the property of the Office of Investigations and is loaned to your agency: it and its contents may not be reproduced without written permission. The report is FOR OFFICIAL USE ONLY and its disclosure to unauthorized persons is prohibited. Public availability to be determined under 5 U.S.C. 552.



Eastover response  
to SCDoC 4-14-05.PC

11. COG Letter to Eastover, dated January 13, 2006



COG Ltr 1-13-06.pdf

12. SC DoC Memo to File, dated January 17, 2006



SC DoC Memo  
1-17-06.pdf

13. Application for Federal Assistance, dated October 20, 2003



Application for  
Federal Assistance 10

14. Application for Federal Assistance, dated September 15, 2004



Application for  
Federal Assistance 9-

15. Application for Federal Assistance, dated November 28, 2005



Application for  
Federal Assistance 11

16. Grant Agreement, dated January 3, 2006



Grant Agreement  
1-3-06.PDF

17. No Cost Time Extension, April 9, 2009



EPA Ltr NoCost Time  
Extension.PDF



EPA Ltr Time  
Extension Grant.PDF



Assistant Amendmt  
4-9-09.pdf

18. EPA IFMS General Ledger Entries, dated November 4, 2011



EPA IFMS General  
Ledger Entries .pdf

19. Eastovers *Outlay Report and Request for Reimbursement for Construction Programs*,  
dated February 8, 2006 and paid March 6, 2006



Eastovers Request  
for Reimbursemt from



Eastovers Request  
for Reimbursemt from

20. Eastovers *Outlay Report and Request for Reimbursement for Construction Programs*, dated April 18, 2007 and paid May 3, 2007



Eastovers Request  
for Reimbursement from



Eastovers Request  
for Reimbursement from

21. Eastover Letter and two email strings regarding changing the EPA grant, dated March 23, 2010



Eastover Ltr to EPA  
3-23-10 with attachm



Emails between  
[REDACTED] and [REDACTED] 3-



Emails between  
[REDACTED] and [REDACTED] 3-